

**8/23/77 [2]**

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THE WHITE HOUSE  
WASHINGTON

August 23, 1977

Barry Jagoda

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

ADVERTISING PROGRAM - ALLIANCE TO  
SAVE ENERGY

X

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
✓	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE WHITE HOUSE

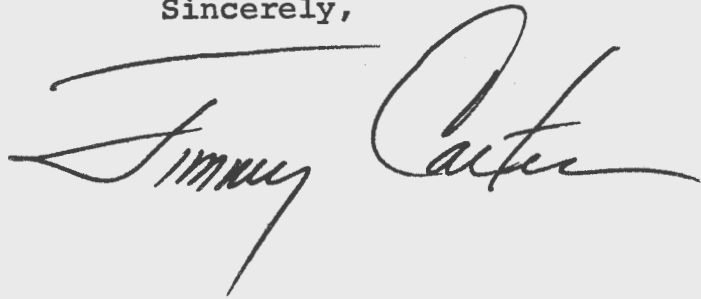
WASHINGTON

August 22, 1977

To George Cohan

I am glad to know that you are working on an advertising campaign on behalf of the Alliance to Save Energy. A campaign of this nature is a vital and necessary part of our overall approach to solving the energy problem.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

Mr. George S. Cohan  
President  
Cohan and Paul, Inc.  
20 North Wacker Drive  
Chicago, Illinois 60606

Energy Notes  
TV Show  
8/23/77

THE WHITE HOUSE  
WASHINGTON

Production  $\nearrow 6\%$ /yr

Imports  $2 \times / 5$  yrs

60 mbd  $+ 5\%$  yr Alaska ev 9 mos.

American 60 bpy =  $2 \times 726$ , etc = <sup>Waste</sup>  $>$  imports

Imports 6 yrs ago \$33B now \$45B

Oil  $\pm$  gas =  $75\%$  consumption,  $7\%$  reserves

Goals - inc  $< 2\%$  yr

(1985) gasoline  $-10\%$

Oil imports  $-50\%$

Reserve  $> 6$  mos. supply

Coal production  $> 18.1$  tons/yr

Insulate  $90\%$  US homes

Solar  $2\frac{1}{2}$  mil homes

Europe auto = 2700 lb US 4100 lb

Peak load pricing

Nuke - 63 plants (3%) + 70 licensed

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for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON

August 23, 1977

Hugh Carter

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

RE: WEEKLY MAIL REPORT

THE PRESIDENT HAS SEEN.

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THE WHITE HOUSE

WASHINGTON

Week Ending 8/19/77

9

MEMORANDUM FOR THE PRESIDENT

FROM:

HUGH CARTER *HC*

SUBJECT:

Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 8/12</u>	<u>WEEK ENDING 8/19</u>
Presidential	62,120	28,550
First Lady	1,370	2,950
Amy	440	330
<u>Other First Family</u>	<u>80</u>	<u>125</u>
TOTAL	64,010	31,955

BACKLOG

Presidential	10,730	7,140
First Lady	290	80
Amy	440	0
<u>Other</u>	<u>0</u>	<u>0</u>
TOTAL	11,460	7,220

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	56%	50%
WH Correspondence	14%	25%
Direct File	22%	15%
White House Staff	6%	9%
<u>Other</u>	<u>2%</u>	<u>1%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters and Post Cards	13,245	87,339 (a)
Mail Addressed to WH Staff	14,250	29,033

(a) This figure includes 64,248 letters from Taiwan this week.  
(See Notes to Major Issue Tally.)

cc: Senior Staff

MAJOR ISSUES IN  
CURRENT PRESIDENTIAL ADULT MAIL  
Week Ending 8/19/77

ISSUES	PRO	CON	COMMENT ONLY	NUMBER OF LETTERS
Pres.'s Position re: Federal Funds for Abortions	22%	78%	0	917
Support for U.S. Retention of Panama Canal (1)	87%	12%	1%	843
Establish Separate Cabinet Level Department of Education	100%	0	0	781
Suggestions re: Tax Reform Package	39%	13%	48%	626
Support for Amnesty for Illegal Aliens (2)	3%	97%	0	421
Views/Suggestions re: Energy	0	0	100%	375
Support for Gun Control-HR 8128	6%	94%	0	362
Support for Tougher Restrictions on Steel Imports	97%	0	3%	346
Pres.'s Proposal re: Welfare Reform	47%	12%	41%	257
Pres.'s Position re: Israel Returning Land Won in '67 War	11%	85%	4%	253
Support for Army Decision to Uphold Private Eddie Slovik's WW II Conviction for Desertion (3)	0	100%	0	<u>214</u>
			TOTAL	5,395

(See Notes Attached)



## NOTES TO MAJOR ISSUE TALLY

### (1) SUPPORT FOR U.S. RETENTION OF PANAMA CANAL

Many people (out of the 87% pro) want to know why so many highly placed government officials support the treaties; they request in-depth information. Others simply say: "We paid for it; we should keep it!"

### (2) SUPPORT FOR AMNESTY FOR ILLEGAL ALIENS

The majority of letters (97% con) come from the Southwest, mostly California.

### (3) ARMY DECISION REGARDING PVT. EDDIE SLOVIK

Sympathy for Slovik's mother, Antoinette, is conveyed, and many writers back up their opinion (100% con Army decision) by citing past situations when pardons were given.

- (a) The President has received about 89,000 letters from Taiwan since 8/6/77, when the apparent write-in campaign was first noticed. This figure includes both pre-printed form letters and handwritten correspondence.

Content: The letters indicate that the Taiwanese apparently feel their interests and security "are now at stake" because of reports about the possible normalization of U.S. diplomatic relations with Red China and the relinquishing of relations with Taiwan.

THE WHITE HOUSE  
WASHINGTON

August 23, 1977

Zbig Brzezinski  
Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

FOREIGN POLICY CONGRESSIONAL  
LIAISON

THE WHITE HOUSE  
WASHINGTON

*Admin  
conf'd*

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	<input type="checkbox"/>	POWELL
<input type="checkbox"/>	<input type="checkbox"/>	WATSON
<input type="checkbox"/>	<input type="checkbox"/>	LANCE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to  
Carp/Huron within  
48 hours; due to  
Staff Secretary  
next day

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input checked="" type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE  
WASHINGTON

8/23/77

T. J. Big & Frank

No.

Within personnel  
limits already set  
(a total of ~ 125-130)  
you can work out  
one person, I'm  
sure.

J



THE WHITE HOUSE  
WASHINGTONACTIONADMINISTRATIVELY  
CONFIDENTIAL

August 18, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB.*

SUBJECT: Foreign Policy Congressional Liaison

Recent Administration foreign policy difficulties on the Hill have been due in part to genuine Congressional concern about some of our initiatives, but also to deficiencies in the Administration's overall foreign policy lobbying effort. The Department of State, coordinating with Frank Moore, has primary responsibility for day-to-day foreign affairs lobbying. Jerry Schechter of my staff was to devote half his time to a low profile Congressional liaison effort monitoring Hill activities and assisting Frank, but Schechter's press responsibilities with Jody Powell's office do not permit him to give adequate attention to Congressional issues.

I believe there is a need to hire a full-time NSC staff member for Congressional liaison. Any major foreign policy problem or issue on the Hill (AWACs, Korea, neutron bomb, Panama Canal, etc.) soon lands at the White House doorstep with appeals from the departments for guidance or direction and inquiries from the Congress as to what the President thinks. At present, the NSC is unable to provide the White House the liaison support required to deal properly with foreign policy issues in Congress. A full-time NSC staff member for Congressional liaison could provide considerably improved support for Frank Moore; facilitate coordination between substantive staff and Frank's office; contribute to more effective implementation of Administration policy on the Hill; improve our early warning system; and improve planning of interagency congressional strategy sessions.

Hiring a full-time senior staff person and secretary would bring the NSC Staff total to 101 but, for the reasons outlined above, I think the increase is justified and required. Frank Moore and Ham Jordan concur. as does Bob Lipshutz.

RECOMMENDATION:

That you approve lifting the NSC ceiling to 101 so we can hire a full-time NSC senior staff person to work closely with Frank Moore and Ham Jordan.

APPROVE \_\_\_\_\_ DISAPPROVE \_\_\_\_\_

ADMINISTRATIVELY  
CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

Date:

MEMORANDUM

FOR ACTION:

Bob Lipshutz *Cancel*

FOR INFORMATION:

Hamilton Jordan - *Concur*  
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Brzezinski memo dated 8/18/77 re Foreign Policy Congression  
Liaison

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Saturday

DATE: August 20, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*Insafe*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE  
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
✓	JORDAN
✓	LIPSHUTZ
✓	MOORE
	POWELL
	WATSON

ENROLLED BILL
AGENCY REPORT
CAB DECISION
EXECUTIVE ORDER
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FOR INFORMATION
FROM PRESIDENT'S OUTBOX
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BRZEZINSKI
BUTLER
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CLOUGH
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HOYT
HUTCHESON
JAGODA
KING

KRAFT
LANCE
LINDER
MITCHELL
POSTON
PRESS
B. RAINWATER
SCHLESINGER
SCHNEIDERS
SCHULTZE
SIEGEL
SMITH
STRAUSS
WELLS
VOORDE

Date:

MEMORANDUM

## FOR ACTION:

Bob Lipshutz

## FOR INFORMATION:

Hamilton Jordan  
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

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## ACTION REQUESTED:

☒ Your comments

Other:

## STAFF RESPONSE:

☒ I concur.☐ No comment.*Please note other comments below:***PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



Date:

MEMORANDUM

## FOR ACTION:

Bob Lipshutz

## FOR INFORMATION:

Hamilton Jordan  
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Brzezinski memo dated 8/18/77 re Foreign Policy Congress  
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TIME: 12:00 NOON

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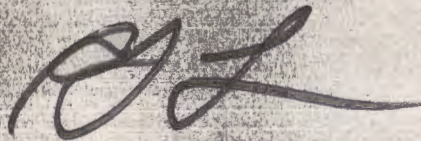
DATE: August 20, 1977

## ACTION REQUESTED:

☒ Your comments

Other: \_\_\_\_\_

## STAFF RESPONSE:

☒ I concur.☐ No comment.*Please note other comments below:***PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

C  
/

August 23, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

Subject: Update on Economic Developments and Prospects

During the course of the second quarter, the pace of economic expansion moderated significantly from the rapid clip in the early months of 1977. Growth of real output in the second quarter was at a 6.1 percent annual rate -- below the 7-1/2 percent rate of the first quarter, but still a high rate. But the trend within the quarter was considerably flatter than the GNP figure indicates. (The GNP statistics measure the average level of activity in each quarter relative to the average level in the previous quarter.)

- . From March through June, retail sales, after adjustment for price changes, declined 2-1/2 percent -- a steep drop (See Table 1). In view of the exceptionally low rate of personal saving in the first quarter, it is not surprising that the saving rate rose and the pace of household spending slackened in the second quarter. The consequence, however, was some undesired accumulation of inventories, particularly in the nondurable goods industries, and a resulting slowdown in the growth of production.
- . Employment gains weakened somewhat as the growth in output moderated, and the length of the work-week was cut back. From April through July, total hours worked at nonfarm business establishments rose less than 1 percent at an annual rate; in the previous four months the rate of increase was 6 percent (Table 1). A similar weakening trend was also apparent in aggregate wage and salary earnings. However, after-tax incomes were bolstered in June by the income tax cut and in July by the cost-of-living adjustment in social security benefit payments.

- . The unemployment rate remained on a plateau of around 7 percent from April through July, after a drop of one percentage point from November 1976 to April of this year.

The picture in July looks a bit brighter, but we cannot be sure yet of a satisfactory resumption of growth. Economic forecasters are unanimously projecting slower growth in the second half of 1977, but opinion is divided on how much growth will slow. There is widespread concern that another 1976-style pause may be in the offing, and this concern is shared by many businessmen.

#### CEA Forecast

We still expect growth in the second half at a 5 percent rate or slightly better, although it is likely to be slower than that in the third quarter. The following developments are encouraging:

- . Inventories of nondurable goods in the hands of manufacturers and wholesalers declined in June and the ratio of inventories to sales fell for manufacturers of both durable and nondurable goods. This implies a prompt adjustment rather than a large one yet to come.
- . According to preliminary data, retail sales edged up slightly (one half of one percent) in July. Automobile sales have held up well and consumer confidence is high, according to survey data.
- . The number of new housing units started rose in July from a three-month plateau. Single-family housing starts are no longer rising, but apartment construction is moving up as vacancy rates have declined.
- . Both Federal and State and local government expenditures are now rising much more strongly than they were a year ago, partly reflecting the stimulus program.

#### Uncertainties

There are a number of uncertainties in the outlook for the second half. A key area is business fixed investment. Indicators of the likely strength in this sector are mixed.

- . Production of business equipment has been rising rapidly since early this year.
- . We have been informed on a confidential basis by the Conference Board that their survey of capital appropriations by large manufacturing firms will show a substantial rise in the second quarter.
- . New orders for nondefense capital goods have been rising at a fairly good pace this year, but a large part of the growth has been in commercial aircraft. This is not a solid base on which to build an investment boom.

The other principal area of uncertainty in the near-term outlook relates to consumer spending. A further rise in the personal saving rate would imply relatively weak retail sales and consumption. Our best guess at the moment is that the saving rate will rise only moderately over the rest of this year, but we cannot be sure. Recent attitudinal surveys suggest that consumer buying intentions are strong.

### Prices and Wages

Since early this year, we have been forecasting a moderation in the rise of food prices during the second half. Supplies of farm and food products have turned out to be even larger than we had anticipated, so that the food price outlook is quite good. This will probably hold down the overall rise in consumer prices in the second half to a 5 to 5-1/2 percent annual rate -- compared with 9 percent in the first half.

- . Wholesale prices declined in June for the second month in a row, mainly because of falling prices of farm products and processed foods and feeds. In addition, however, there has been some deceleration in the rate of price increase for industrial commodities.
- . The increase of 0.4 percent in consumer prices in July was the smallest increase this year. Both food prices and the prices of commodities other than food rose by only 0.1 percent in July. Service prices continue to rise rapidly, however, and we now are 8 percent above a year earlier. The cost of medical care is up 10 percent, and the cost of utilities and public transportation (reflecting rising energy prices) is up 9-1/2 percent. The rise in consumer prices excluding food and fuel shows no signs of deceleration.
- . Wages and fringe benefits are still rising at an annual rate of about 8-1/2 percent per year -- implying an underlying rate of increase in industrial costs of about 6-1/2 percent. A slowdown in the rise of consumer prices over the rest of this year, if it occurs, may take some of the heat off wage rates.
- . The effects of governmental actions on wage costs next year will complicate efforts to contain inflation. The increase in the social security tax under current law, the currently scheduled increase in unemployment insurance taxes, and the estimated effects of the increase in the minimum wage will, collectively, add and extra percentage point to the rate of increase in employers' wage costs. The Senate Finance Committee's



social security proposal would add another 0.65 percent. These extra costs would probably be passed through rather quickly into prices and then feed back into wages in 1979.

### Financial Developments

Recent financial developments have been dominated by Federal Reserve efforts to slow the growth rate of the money stock. A special conference of the Federal Open Market Committee was called by Chairman Burns on August 4 to deal with the matter.

- . The Federal Reserve's target for the Federal funds rate has been increased from 5-3/8 percent to somewhere near 6 percent.
- . In response to this rise in the Federal funds rate, interest rates on short-term market securities have risen about one-half percentage points since late July, and major commercial banks have raised their prime lending rate from 6-3/4 percent to 7 percent. As yet, these increases in short-term rates have led to little or no change in long-term rates.
- . The rise in short-term rates in the U. S., together with declines occurring in some other countries, has led to some strengthening of the dollar in foreign exchange markets -- for example, a slight appreciation against the German mark.

The increase in interest rates thus far has had little adverse effect on the recovery as far as we can detect. The stock market has reacted very nervously, however, and this attitude could become contagious, affecting business investment plans. Substantial further increases would have adverse consequences for residential construction and business capital investment.

The prospects for meeting our growth objectives for 1978 are, at this juncture, around 50-50. The odds would deteriorate if interest rates continued to move up with the speed they have over the past month or so.

If the rate of increase in money velocity is slowing down from the rapid pace of the past two years, and if the Fed insists on maintaining its money growth targets, then we could be in for trouble.

August 23, 1977

Table 1  
Changes in Aggregate Weekly Hours and  
Real Retail Sales

(Percent change, seasonally adjusted annual rates<sup>1/</sup>)

Period	Aggregate weekly hours	Real retail sales
1975: December .....	5.3	13.0
1976: March .....	6.8	9.7
June .....	1.8	-1.5
September .....	2.2	-3.8
December .....	4.0	25.2
1977: March .....	6.9	2.8
June <sub>p</sub> .....	1.7	-10.2
July <sub>p</sub> .....	1.0	5.5

<sup>1/</sup> Changes from 3 months earlier, except July figures,  
which are from month earlier.

August 23, 1977

Table 2  
Major Elements in Short-Term Forecast

Item	1976	1977		
		First half		Second half
Percent change, seasonally adjusted annual rates:*				
Real GNP .....		6.8		5
Real Business Fixed Investment .....		12.8		9
CPI All Items .....	4.8	9.0		5-3/4
CPI Less Food and Energy.	6.1	7.7		5-3/4
	1976 IV	II	July	IV
Unemployment Rate - Percent	7.9	7.0	6.9	6.6
Housing Starts - Thousands, Seasonally adjusted annual rates .....	1,770	1,909	2,064	2,000

\* Change during period.

THE WHITE HOUSE  
WASHINGTON

August 23, 1977

The Vice President  
Midge Costanza  
Stu Eizenstat  
Hamilton Jordan  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jack Watson

The attached has been forwarded  
to the President and is forwarded to  
you for your information.

Rick Hutcheson

UPDATE ON ECONOMIC DEVELOPMENTS AND  
PROSPECTS



THE WHITE HOUSE  
WASHINGTON

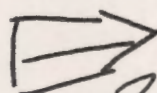
no need to send SE  
a copy if he already  
has one - no  
pres comments  
inside

                      
R.L.

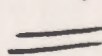
73¢

THE WHITE HOUSE  
WASHINGTON

Sugar 13 1/2¢ until  
GSA - effective nov/Dec  
pay  $\Delta$  13 1/2¢ sale price  
date?  $\rightarrow$   
Wheat set aside



Processor paid prod  $\geq$  13 1/2



Bob - adequate wheat

	7/1/75	7/1/77	7/1/78
US	126 MT	183 MT	200 MT
	1970	3070	3570
		61 MT	80 MT

World Total grains

World consumes 400 MT wheat

2590

Wheat 100 MT  
Feed Grain 85  
Rice 15

Reduce  $\frac{1}{25} = 0$   
 23 MT  $\frac{1}{8} = 25/10$   
 20 MT 2  $15/10$

Howard  
Hjint

THE WHITE HOUSE  
 WASHINGTON

Schultz

At  $\frac{1}{20}$  chance  $\approx$  5A price peak  
 CEA  $\frac{1}{8}$  " 80% inc price

Consumption lower now

134 M.1 livestock  $\rightarrow$  117 M.1  
 not as much grain/head beef

USSR Storage Hi  
 26 MT port capacity  
 India 18% reserve  
 PRC 10 M.1 MT limit

US weather main variable

Cost  $\approx$  1000  
 500 M.1 - no set aside

THE WHITE HOUSE  
WASHINGTON

25% SA	<i>better</i> 2.20	<i>poor</i> <i>water</i> 2.55
<i>no</i> SA	2.15	2.40

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for Preservation Purposes



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for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON  
MEETING WITH SECRETARY BERGLAND  
Tuesday, August 23, 1977  
3:30 p.m.  
The Cabinet Room

From: Stu Eizenstat

THE PRESIDENT HAS SEEN.

I. PURPOSE

To discuss the farm bill and to receive your guidance regarding several pending administrative actions including acreage set-asides for the coming crop, the accelerated acquisition of reserve stocks, and implementation of a sugar program.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: The conferees have completed action on the farm bill and it is awaiting final floor action. It will come to you for signature late next month. Though the Secretary will not have authority to implement a set-aside prior to enactment of this bill, farmers need to know our intentions with regard to acreage diversion now as they begin planting winter wheat. With regard to sugar, two things have happened: (1) the Deputy Attorney General has ruled that the payment program we initially proposed must be restructured to meet the law and (2) the farm bill conferees advised the Secretary to proceed with the implementation of a price support program in advance of enactment of the new authority. Background memos on these topics are being prepared by both Bergland and me.

B. Participants:

Agriculture: Secretary Bob Bergland  
Deputy Secretary John White  
Director of Agriculture Economics  
Howard Hjort

State: Under Secretary Richard Cooper

Treasury: Under Secretary Tony Solomon

The Vice President

Jack Watson

Agency for International Development - Ted Van Dyk

3:30

Stu  
J

Bert Lance

Frank Moore

Charlie Schultze

Ambassador Bob Strauss

Stu Eizenstat

Lynn Daft

C. Press Plan: No press coverage

### III. TALKING POINTS

1. Suggest that you continue to reserve final judgment on approval or disapproval of the farm bill until we have had an opportunity to more fully evaluate it.
2. The set-aside question is an important issue that was not staffed far enough in advance. You may want to invite the verbal comments of meeting participants since they have had limited opportunity for input.
3. Estimated budget costs of the farm bill have continually inched upward, partly due to falling market prices but also due to changes in the bill. You might want to register your concerns over the need to hold down on these costs. The estimated FY 1979 budget cost of the modified Administration proposal for price support and related programs was just under \$3 billion. Under the pending bill, the cost is estimated at \$5.1 billion, and with above normal weather and no set-aside could reach \$7.8 billion.



THE WHITE HOUSE

WASHINGTON

August 22, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EISENSTAT  
CHARLIE SCHULTZE *CLS*

SUBJECT: Briefing for Tuesday, August 23rd  
Meeting with Secretary Bergland

In the meeting Secretary Bergland has scheduled with you Tuesday, August 23 at 3:30 p.m., he will want to discuss three related topics:

- 1) The farm bill as it is being reported out of conference.
- 2) The use of acreage set-asides for the 1978/79 crop.
- 3) The next steps in the implementation of a sugar program.

In the attached memorandum (Tab A), Secretary Bergland provides background on these topics, describes the options, and makes recommendations. Several other agencies have an interest in these decisions and have asked that their views be made known to you. In the interest of providing you with a consolidated response, we have attempted to incorporate their views in this memo.

The Farm Bill

Though the conferees completed work on the farm bill just before the current recess, their report has not been filed. Only within the past 3 days have we secured a preliminary draft of the report. Until we have had more time to evaluate the bill, we recommend against taking a position -- for or against -- on the bill. The enrolled bill should come to you in late September.



On most major points of difference between the House and Senate bills that we discussed with you earlier -- wheat and feed grain loan and target price levels and adjustment mechanisms, set-aside procedures, and the sugar amendment -- we were generally successful in gaining the adoption of Administration positions. But, we were not successful in the case of sugar. As you know, the conference adopted a modified version of the de la Garza price support program.

While it would perhaps be difficult to justify disapproval of the bill on the basis of the sugar provisions alone, there is an accumulation of other more minor but, nonetheless, objectionable features that deserve further assessment before you are asked to sign it.

#### Set-aside

Pending enactment of a new farm bill, the Secretary of Agriculture has no authority to implement a set-aside program for the coming crop year. Still, planting decisions for the 1978 winter wheat crop are now being made. Some planting is underway and most will take place before the bill can be enacted.

If we are to influence these decisions, we must indicate our intentions with regard to use of the prospective set-aside authorities as soon as possible. We believe this can be done without prejudicing your eventual approval or disapproval of the farm bill. There is no dispute between the Congress and the Administration with regard to the need for or terms of the set-aside authority. Should you decide to veto the farm bill, a temporary authority as in the pending bill could be quickly sought.

The authority to divert acreage from production has not been exercised since 1973 when about 17 million acres were idled. For most of the 1961-72 period, 50 to 60 million acres were diverted from production.

Operation of the Program. Under the bill now awaiting Congressional action, the Secretary of Agriculture is required to announce any set-aside for wheat not later than August 15 prior to the year in which the crop is harvested (in the case of the 1978 crop, as soon as practicable after enactment of the new farm bill). In the case of feed grains, the announcement is to be made by November 15.

The Secretary specifies a percentage of the farm's acreage planted to the crop in the current crop year that is to be set aside and devoted to conservation uses. Compliance with the set-aside is required as a condition of eligibility for all loans and payments under the program, regardless of whether a set-aside is in effect for the individual crop. To illustrate the program's operation, a farmer that plants 500 acres of wheat under a 20% wheat set-aside must divert at least 100 acres to approved conservation uses to maintain his eligibility for CCC loans and for deficiency and disaster payments. The Cross-Compliance Provision ensures that if a farmer does not participate in the wheat program, but grows wheat, he is ineligible for loans and payments for other crops.

#### Decisions

There are three decisions to be made on set-asides:

- (1) Should there be a set-aside?
- (2) If there is to be a set-aside, how large should it be?
- (3) Also, if there is to be a set-aside, for which crops is it to be applied?

#### (1) Should there be a set-aside?

There is disagreement over the answer to this question. The disagreement stems largely from differences in perception of: (a) the likelihood that a poor crop in 1978 or 1979, in combination with reduced production as a result of the set-aside, would result in a sharp rise in food prices and (b) the effects a decision to divert acreage would have on our trade and grain reserve negotiations with other nations. The principal arguments for and against having a set-aside are as follows:

#### FOR

- \* Both world and U.S. grain stocks have been replenished following the drawdown of 1972-75 to the point that grain prices have been depressed.
- \* Worldwide, the ratio of stocks to consumption has risen from .12 during 1972-75 to .17 this crop year and should be held from rising any further.

- \* The U.S. now holds about 42 percent of the world stock of wheat and coarse grains which, in the absence of a constraint on production, is expected to rise to 47 percent (in contrast to USDA's recommended share of 33 percent).
- \* The world grain economy is less vulnerable to a sudden tightening of supplies such as occurred during the early 1970's for several reasons -- larger Soviet and Indian stocks, the U.S./USSR grains agreement, greatly reduced livestock numbers, and slower economic growth rates, worldwide.
- \* Practically all domestic farm interests want and expect a set-aside of some magnitude.
- \* A set-aside would signal to other importing nations that we do not intend to return to the very large surplus stock situation of the 1950's and 1960's, thus providing them with further incentive to participate in a system of world grain reserves.
- \* Farm program outlays would be slightly lower.

#### AGAINST

- \* Although world grain stocks have increased substantially over the past two years, this has been made possible more by abnormally low consumption than by abnormally high production.
- \* The combination of set-asides and very poor weather in 1978/79 (or the subsequent year) would cause a reduction in the world stock/consumption ratio to a level near the low points of 1974 and 1975 which were associated with very high prices (see Figure 1). While USDA estimates only a 1 in 20 chance of such an occurrence, CEA estimates it as 1 in 8. The differences stem from the procedures used: USDA measured only historical fluctuations in production and did not include consumption fluctuations; USDA measured the historical magnitude in production fluctuations in absolute terms while CEA measured fluctuations in percentage terms to account for the growth in production over time (a 10 percent deterioration in weather conditions will cause a 40 percent larger loss of production in 1978 than in 1965).

- \* CEA has made a rough estimate of the chance of having a serious shortfall over the next three years. On the basis of the historical relation between grain prices and grain stocks (see Figure 1), CEA estimates that over the next two years, with the USDA set-aside in effect during the 1978 crop, there is a 34 percent chance of grain prices rising by more than 40 percent and a 12 percent chance of them rising by more than 80 percent. Should the latter occur, the ultimate impact could amount to a 3.3 to 4 percent increase in inflation -- on top of the current 6 percent. The risk of this can be reduced from 1 in 8 to 1 in 25 by waiting one more year for a larger stock level before instituting set-asides. Thus, though the probability of a very large price rise is low, the consequences are so severe -- both economically and politically -- that an insurance policy against it is worth a great deal.
- \* A set-aside would lower gross receipts in 1978 by about 1.7 billion, assuming a 25/10 set-aside.
- \* Much of the farm organization support for a set-aside appears to be based on incomplete information about how the new program would work -- in particular, a failure to appreciate that CCC stocks can not be released until market prices reach 150% of the loan level. Thus, CCC stocks would not overhang the market -- they would be insurance against very large increases in grain prices and would not prevent modest rises of up to 40 to 50%.
- \* Though a set-aside would reduce farm program budget costs, much of this would be recoverable when the accumulated stocks were released. Moreover, to the extent that a set-aside contributes to higher food prices, the budget costs of other Federal programs containing cost-of-living escalators will rise.
- \* A smaller set-aside than the 25/10 USDA recommended level, such as a 15/10, still has consequences perhaps 80 percent as serious. The 25/10 set-aside would reduce grain output by 23 million tons; with a 15/10 set-aside, the reduction would be 20 million tons.



- \* A set-aside will be opposed by world hunger interests. The President of the World Food Council has already recommended against it.
- \* By reducing the downward pressure on grain prices, a set-aside will reduce the incentive for other major grain exporters to lower production and enter into an international grains agreement.

On the basis of these arguments, USDA and the Domestic Policy Staff feel there is need for a set-aside of some magnitude. CEA, Treasury, and State feel that a set-aside at this time is ill-advised and recommended against it.

- (2) How large should the set-aside be and (3) which commodities should be included?

Two options are offered:

- (a) 25% wheat and 10% feed grains
- (b) 15% wheat and 10% feed grains

These options are described in Secretary Bergland's memo. The USDA recommends option (a). The Domestic Policy Staff recommend option (b).

#### Accelerated Reserve Acquisition

In concert with the suggested set-aside program, Secretary Bergland proposes that we seek legislative authority for the CCC to acquire up to 8 million tons of wheat. In the absence of an international reserve agreement, these stocks would only be available for noncommercial food aid purposes.

There appears to be general support for this proposal among all the agencies that have participated in deliberations of this topic.

#### Loan Level Determinations

The Secretary of Agriculture can proceed to raise the loan rate for corn from \$1.75 to \$2.00, as prescribed in the pending farm bill, without waiting for enactment of that authority. Given the currently depressed grain prices, which are being exacerbated by a shortage of on-farm storage capacity in localized areas, we endorse the Secretary's recommendation that this loan rate be immediately raised.

We also endorse his recommendation that the 1978 crop loan rates remain at \$2.25 for wheat and \$2.00 for corn.

Sugar Policy

The course of action suggested by Secretary Bergland, which calls for implementation of a modified payment program to overcome the objection of the Deputy Attorney General, is generally supported by all interested agencies. State and STR would like to have any trade restrictive action made necessary by the new program delayed as long as possible. Treasury supports implementation of an interim payments program, as suggested by the Secretary.





DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

August 22, 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Food and Agriculture Matters

FROM: Bob Bergland  
Secretary

INTRODUCTION

We need to decide and I must soon announce:

- \* a price support program for 1977 crop sugar;
- \* an increase in price support levels for 1977 feedgrain crops;
- \* our plan for placing excess 1976 and 1977 grain in reserve;
- \* the 1978 wheat program; and
- \* tentative decisions on the 1978 programs for feedgrains, cotton and rice.

I am prepared to discuss these matters with you. My recommendations are in this memorandum.

The "farm bill" which will not reach your desk until late September, provides authority for these decisions. This adds to the complexity of the decision-making process, as I must announce our decision on most of these items before the end of the month. A comprehensive summary of the "farm bill" appears as an attachment.

Sugar

The Deputy Attorney General has concluded that the sugar payment program we announced May 4 is unauthorized. You will recall that the payment to the processor was to be passed on to the producer in full, less any administrative expenses incurred by the processor in connection with receiving and forwarding the payment.

This, according to the Deputy Attorney General, is "indistinguishable in substance from a program of production payments, which the Act prohibits;...."

The "farm bill" requires that the price of 1977 and 1978 crop sugar be supported through loans or purchases with respect to the processed products at a level between 52.5 and 65 percent of the parity price. The minimum price support level is 13.5 cents per pound raw sugar equivalent, the same as the level of



income support we proposed last May. I am required to establish minimum wage rates for agricultural employees engaged in the production of sugar. I am authorized to suspend the price support program whenever I determine an international sugar agreement is in effect which assures the maintenance of a price for sugar in the United States of not less than 13.5 cents a pound. The Conferees also encouraged me to provide support for 1977 crop sugar marketed between May 4 and the day the new program becomes operative.

We can, and I recommend that:

1. The payment program previously proposed through the formal rule-making process be modified to overcome the objection of the Deputy Attorney General, and that the modified program be announced immediately. The modified program would require the processor to pay the producer his share of a raw sugar price of 13.5 cents per pound, as specified in existing proportionate share contracts, and that the difference between the actual return and 13.5 cents be paid directly to and for the account of the processor. Although the USDA position is that such a modification would result in a legally viable program for sugar marketed subsequent to the day you announce it, we are continuing to explore whether this change would legally allow for coverage of the sugar marketed between May 4 and the effective date of the program.
2. Regulations be drafted to implement the sugar program required in the farm bill, but not published in the Federal Register for comment nor hearings held to establish minimum wage rates for workers until after the bill becomes law. Under this scenario, the new market price support program would not, in my opinion, be implemented before November 1.

Alternatively, under current legal authorities, it would be possible to implement the new program by October 1, but I have no authority to hold wage rate hearings.

In view of the fact that International Sugar Agreement negotiations are scheduled to begin in Geneva in mid-September and to continue for three weeks, and because wage rate hearings are desirable, I believe it would be preferable to implement the program in early November, rather than in early October.

3. An ad valorem tariff be imposed as authorized in Section 22 of the Agricultural Adjustment Act of 1933, immediately following implementation of the price support program in the "farm bill."

For reasons well known to you, none of your principal advisors recommends the imposition of a restrictive quota to accomplish the 13.5 cent price objective in bill.

Furthermore, a purchase program is not a feasible one for at least two reasons: It is of questionable legality, and once acquired by the Federal Government, sugar could be sold only at 105 percent or more of the loan rate. The Government would thus acquire massive inventories and would have to take over sugar trade in the United States.

Thus, it appears that a loan program, supplemented by the imposition of the 50 percent ad valorem tariff authorized by Section 22, is the only viable course of action. Of course, it is possible that agreement will be reached on an international sugar agreement and that the price will be above 13.5 cents in the United States by November, and then I could announce and immediately suspend the price support program required by the bill.

#### Price Supports for 1977 Feed Grain Crops

The "farm bill" raises the minimum market support price for 1977 crop corn to \$2.00 a bushel, and requires the support price for the other feedgrains to be at a comparable level. A comparison between the levels previously announced and the required minimums follows:

	<u>Previously Announced</u>	<u>"Farm Bill" Minimums</u>
	- - - - - \$ per bushel - - - - -	
Corn	1.75	2.00
Sorghum	1.70	1.90
Barley	1.50	1.63
Oats	1.00	1.03

The 1977 crop year for barley and oats began June 1, 1977, and the longer we wait to boost the loan levels the greater will be our administrative burden associated with adjusting loans previously made. The marketing year for corn and sorghum begins October 1. Market prices for feedgrains are below the levels previously announced, and concern with prices below cost is becoming widespread among farmers. Boosting loan levels would help protect prices and farm income. I recommend the higher levels be announced immediately. I have the authority to do so but doing it implies the "farm bill" will be signed.

#### Grain Reserves

Last April we announced a farmer-owned reserve designed to capture some of the excess 1976 crop wheat and rice. The Conferees require a wheat reserve in the "farm bill" with terms and conditions essentially identical to those we previously announced. In addition, the Conferees encourage us to establish a similar program for feedgrains.

World grain supplies are in excess of 1977/78 market requirements and our grain stocks are becoming excessive. Grain prices are well below the support price.

Wheat sells for less than \$2.00 a bushel compared with the \$2.25 support price, and corn sells for \$1.60 to \$1.70 a bushel even though the support is \$1.75.

I recommend that we announce action is being taken to place 30-35 million tons of grain in reserve prior to the beginning of the 1978/79 marketing years. Between 12 and 15 million tons (440 to 500 million bushels) of this reserve would be wheat, about 1 million tons rice, and the balance feedgrain.

The 13 to 16 million ton food grain reserve would demonstrate the U.S. commitment to meet its obligations for world food security, and would help offset the negative impact of a set-aside on perceived U.S. concern for the problem of world hunger.

Wheat reserves would be acquired in two or three ways. First, the farmer-owned reserve program announced in April 1977 will be used to capture at least 300 million bushels (8.16 million tons), as that is the minimum in the "farm bill." This farmer-held reserve will be held off the market until the price of wheat is at least \$3.15-\$3.30 a bushel.

Second, some 1976 crop wheat will be turned over to the government when the loan matures. Unless a purchase program is initiated this fall the amount turned over will be 100-150 million bushels (2.72 to 4.08 million tons).

Third, new legislation should be requested which authorizes direct purchase of wheat for an international emergency food reserve of 2 to 6 million tons similar to the one proposed by Senator Humphrey that was included in the Senate farm bill. The Administration and probably the majority of Congress supported this provision. But a jurisdictional dispute caused this authority to be dropped by the Conferees. In the absence of an international reserve agreement, this reserve could only be released for noncommercial, food aid purposes. However, the legislation should also provide that this reserve could be used to meet U.S. obligations under an international reserves agreement at an appropriate release price.

Most of the rice is already in the hands of government but the release price formula needs to be amended.

Feedgrain reserves would be primarily to protect ourselves and the other developed countries from bad crops in 1978. Most of the feed grain reserve should remain in the hands of farmers under a program similar to the one for wheat but with a minimum release price equal to 125 percent of the loan (\$2.50 a bushel for corn) and a loan recall provision at 140 percent of the loan (\$2.80 corn). Any feedgrain turned over to the government could be sold when the market price exceeds 150 percent of the loan (\$3.00 corn).

Reserve acquisition will assure that the U.S. will have a reserve even if next year's harvests are poor. Since grain prices are now at bargain levels a reserve should be acquired soon. Reserve acquisition will partly offset the short-run loss in farm income caused by a set-aside.

1978 Crop Wheat Program

Farmers in the Southwest have already started to plant winter wheat for harvest in 1978. The "farm bill" requires the wheat program to be announced not later than August 15. Although this provision is not effective this year the Conferees included it in the bill because farmers need to know the terms and conditions of the wheat program before they plant, even though most of them have the opportunity the following spring to reconsider their decision on land use.

Even though the "farm bill" will not be on your desk for a month I recommend an announcement be made this week that outlines the terms and conditions for the 1978 wheat program.

I have carefully reviewed the world grain situation and outlook with the experts inside and out of the Department. I conclude that the United States will be holding more than it's "fair share" of grain stocks by the beginning of the 1978 season and that world grain stocks will be more than adequate to protect against a bad crop year. Our reserves will insure that protection.

Therefore, I recommend a 25 percent set-aside program for 1978 crop wheat, and a 10 percent set-aside for 1978 crop feedgrains. Further, I recommend no change in the wheat and feedgrain loan levels from 1977 to 1978. To keep the wheat loan at \$2.25 a bushel I will have to use the authority in the "farm bill" that permits it to be reduced from \$2.35 a bushel only when supplies are excessive. The other feedgrain loan prices would be geared to the \$2.00 a bushel for corn. Support prices at those levels significantly reduce budget exposure.

Not all agree with these recommendations. The farm groups and my advisors unanimously recommend a set-aside of 20-30 percent for wheat and 10 percent for feedgrains. But some farm groups argue for lower loan levels (wheat could be reduced to \$2.12 and corn \$1.80 a bushel), while others favor higher ones.

The major wheat exporting countries believe the case for a set-aside is persuasive, and representatives from Canada and Argentina in meetings with us last week made reference to the fact that they have already encouraged their growers to reduce the area devoted to wheat production. The representative of the North American Grain Exporters reported that they would prefer no set-aside but would not press the case in view of the rise in U.S. and world grain stocks.

The President of the World Food Council has publically recommended that we not set-aside acreage, and that recommendation is likely to come to you from the Council of Economic Advisors and the State Department. However, the grain reserve program outlined above should allay their concerns.

World and U.S. grain stocks have risen dramatically over the past year. The world today is well supplied with grain. Over the past two years world stocks have climbed from 126 to 183 million tons -- a gain of 57 million tons. Another

increase is in prospect this season. Current estimates place world stocks at 200 million tons by the beginning of the 1978/79 season.

Most of this rise has and will take place in the United States. Our two-year gain is from 27 to 61 million tons. Therefore, around 60 percent of the gain in the world stocks has taken place in the U.S. We expect to have stocks of nearly 80 million tons by the beginning of 1978/79, about 10 million above the upper end of our share.

Two years ago world wheat stocks totaled 62.5 million tons. Our share was 19 percent. Now the world has 100 million tons, and we hold over 30 percent. World consumption is near 400 million tons. In the judgement of my advisors world wheat stocks between 80 and 100 million tons is adequate; 60 to 80 inadequate; and over 100 excessive. Further, they believe 30 million tons is the upper limit for our "fair share."

Our 1977 wheat crop is again in excess of estimated requirements and stocks are expected to rise to nearly 35 million tons by next June 1, a level and share deemed to be excessive. As previously noted, the farm price is below \$2.00 per bushel, compared with the \$2.25 market support price.

A year ago world feedgrain stocks were 51 million tons; the U.S. held 17.4 million or 34 percent. This year we hold in excess of 30 million tons, or 44 percent of the world total of about 69 million. The price of corn is down from a year ago by 37.5 percent, with most of the drop coming in the past month or two. U.S. feedgrain production this year will be about the same as a year ago, and the expectation is that another significant addition will be made to feedgrain stocks. We project stocks at the beginning of the 1978 season to be near 85 million tons for the world, and the U.S. is expected to hold 50 percent of the total.

My advisors see no need for world feedgrain stocks in excess of 85 million tons. They, based upon a review of the past, tell me that when world stocks are between 50 and 65 million tons and world consumption around 675 million tons prices can be expected to be high and unstable. But when stocks are between 65 and 85 million tons prices can be expected to be low and stable. They deem stocks above 85 million tons excessive. Further, they tell me that a U.S. share of world feedgrain stocks in excess of 45 percent (38 million tons) would be more than our "fair share." It appears that we will be about 5 million tons over this level by the beginning of the 1978 season.

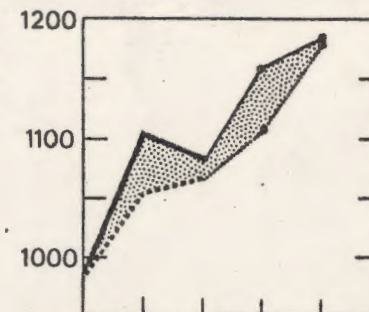
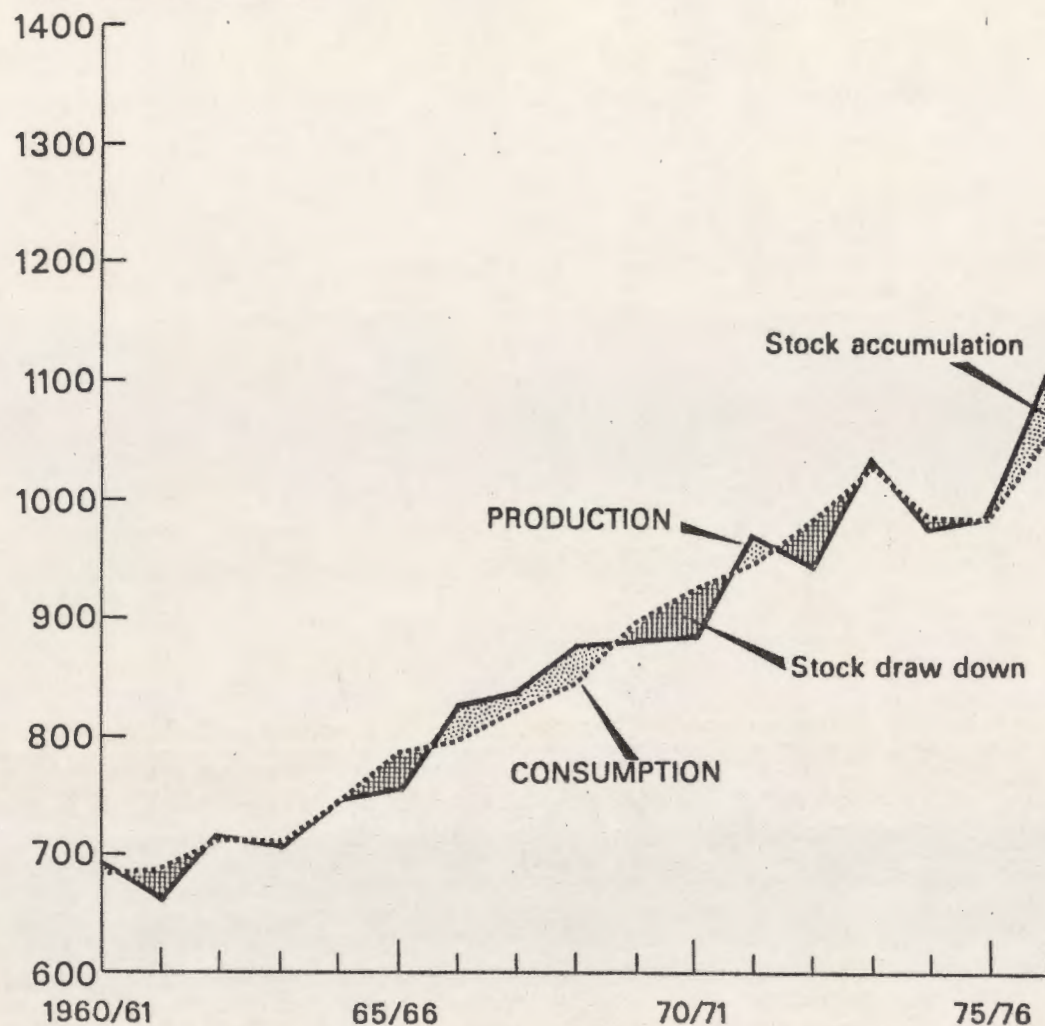
World rice stocks of 15-16 million tons (milled basis) would be adequate. A 1.0 to 1.5 million ton stock in the U.S. should be adequate to protect our markets. Presently our stocks are around 1.5 million tons but are scheduled to decline to about 1.3 million by the beginning of the 1978 season.

The above suggests grain stocks in the United States between 55 and 70 million tons should be adequate. At the beginning of the 1977/78 marketing year we have 61 million tons, and are expected to have nearly 80 million tons by the beginning of the 1978 season, or about 10 million too much.

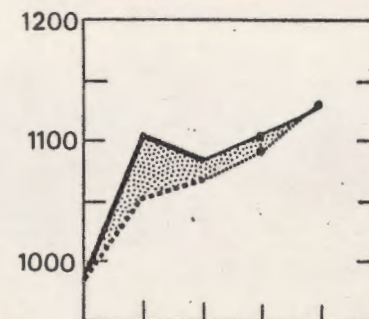


# WORLD GRAIN PRODUCTION AND CONSUMPTION<sup>o</sup> (Actual values)

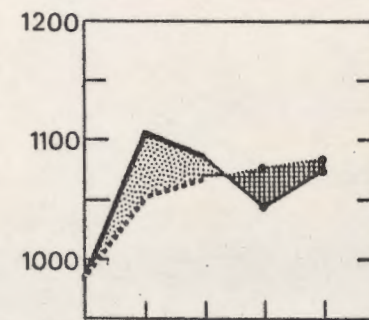
MIL. METRIC TONS



ASSUMES  
GOOD WEATHER  
WORLDWIDE



TREND



ASSUMES  
POOR WEATHER  
WORLDWIDE

75/76 80/81

<sup>o</sup> INCLUDES WHEAT AND MAJOR AND MINOR COARSE GRAINS

DATA FOR 1977/78 AND 78/79 FORECASTED

USDA

AUGUST 1977

This outlook is in spite of demand prospects being more favorable than in recent years due to low feed and food grain prices and improving economic growth prospects.

The weather will be the key factor in 1978/79 production, and we cannot predict what it will be. The "most likely" world weather pattern leads to the conclusion that world production would again be in excess of market requirements and stocks would again rise. In this event, or with very good weather, our stocks would become burdensome.

Bad weather in 1978 could bring world stocks down but a "one in twenty year" production shortfall would only reduce them about 17 million tons below the current level. This should not bring severe upward pressure on prices, especially with the reserve program previously outlined.

Actually, without a set-aside it would take at least two years of bad weather to bring our stocks to an inadequate level.

A 25 percent set-aside on wheat and a 10 percent set-aside on feedgrains appears to be required just to keep our stocks from continuing to climb. Current estimates show an increase in stocks unless world weather patterns are quite bad.

A set-aside will reduce budget outlays somewhat, but weather will continue to be the key to outlays. Farm income will not be appreciably different, but with reasonably favorable weather a little lower with a set-aside. Food prices at retail will continue to be determined more by factors other than farm product prices unless weather is bad. At present the farm value of U.S. produced food is only about 35 percent of food expenditure.

#### 1978 Feed Grain, Cotton and Rice Programs

Wheat producers should know what the 1978 feedgrain, cotton and rice programs will be before deciding how much wheat to plant. This is of special importance under the provisions of the new "farm bill." A producer of wheat, sorghum and cotton in the Southwest faced with a 25 percent set-aside requirement for wheat, a 10 percent set-aside requirement for sorghum, and no set-aside for cotton is likely to conclude that the production of cotton in 1978 will be most profitable, followed by sorghum and then wheat. That is, in areas where substitution is possible between set-aside crops there can and should be significant shifts in acreage away from the crop with a high set-aside requirement to one with a low or no set-aside requirement.

However, it is too early to finally decide on these programs. I propose to announce that a 10 percent set-aside requirement is likely for feedgrains but that the final decision will be postponed until later this fall. I will say that it appears no set-aside will be required for cotton or rice but that this could change depending upon the magnitude of the 1977 crops not only here but in the rest of the world.

In any event, I will announce that farmers must reduce the acreage normally used to grow crops by the number of acres they agree to set-aside, and that to be eligible for the benefits under any program they must comply with the terms and conditions of a set-aside crop.

Attachments

## Alternative Set-Aside and Weather Situations for Wheat and Feed Grains

Item	Unit	1976/77	1977/78	1978/79					
				No set-aside		Set-aside <u>1</u> / 25-10-0-0		Set-aside <u>1</u> / 15-10-0-0	
				Above		Above		Above	
				normal	Very poor	normal	Very poor	normal	Very poor
Production .....	Mil. m.t.	252	249	286	234	263	215	266	218
Production value ..	Bil. Dol.	23.3	20.2	21.5	20.6	19.8	19.8	20.1	19.9
Carryover .....	Mil. m.t.	61	80	126	66	111	57	114	58

1/ Numbers are the percentages of required set-aside for wheat, feed grains, cotton, and rice, respectively.

FOOD AND AGRICULTURE ACT OF 1977

The House-Senate Conferees agreed to a four-year bill on August 5, 1977. The 18 titles of the bill cover commodity programs, grain reserves, foreign food assistance, domestic food assistance, research and education, conservation, wheat foods promotion, grain inspection, advisory committees, and other miscellaneous items.

Commodity Programs

We took the position in conference that the income and market support prices and provisions contained in the House bill were essential to the Administration. The Conferees agreed, with minor amendments.

## Target Price Comparisons

<u>Crop</u>	<u>Administration Proposal 1/</u>	<u>House Bill</u>	<u>Senate Bill</u>	<u>Conference Bill</u>
<u>1977 Crop</u>				
Wheat	2.65	2.90	2.90	2.90
Corn	1.70	2.00	--	2.00 <u>2/</u>
Cotton	--	--	--	--
Rice	--	--	--	--
<u>1978 Crop</u>				
Wheat	2.90	3.00	3.10	3.00
Corn	2.00	2.10	2.28	2.10 <u>2/</u>
Cotton	.50	.506	.511	.52
Rice	7.20	8.35	8.60	8.35

1/ Before House floor action.

2/ Sorghum and if desired by the Secretary barley and oats on the basis of the same cost of production components as for corn.



We had to compromise on the target price for 1978 crop wheat to break a tie vote. The House bill provided \$3.00 and the Senate \$3.10 a bushel. The Conferees wanted \$3.05. The bill provides \$3.00 unless the 1978 wheat crop is less than 1.8 billion bushels when it will be \$3.05 per bushel. Last year we produced 2.15 billion bushels and a 2.04 billion bushel crop is being harvested this year. This means the target price will be \$3.00 per bushel unless the crop is 12 percent smaller than the 1977 crop. The most the higher target price could cost would be around \$90 million.

The House bill contained the target price adjustment formula we developed, and it is in the bill for all the "target price" crops -- wheat, corn, sorghum, barley, oats, rice and cotton. A target price for barley and oats is permissive, but required for the other commodities, as we recommended. This formula excludes a return to land; the Senate bill formula included a return to land.

We opposed a provision that would require a wheat set-aside whenever the carry-over exceeded 175 percent of domestic use (1.32 billion based upon last year's use), and it was deleted.

We favored provisions that guarantee the producer a target price payment on 100 percent of the acreage planted for harvest if he adjusts his plantings by the amount required to meet national targets and that protected other producers on only 80 percent of their acreage (Senate bill provided 90 percent), and these provisions were accepted.

The bill contains the set-aside and land diversion authorities in essentially the manner we proposed. These authorities are applicable to wheat, feedgrains, cotton and rice. We proposed permissive authority for a soybean set-aside but this was deleted.

We stated it was essential to the Administration that I be given authority to require a reduction in acreage normally used to grow crops equal to the acreage set-aside or diverted and that I be given the authority to require compliance with set-aside provisions to be eligible for benefits under any program, and these authorities are in the Bill.

We favored basing set-aside on either the current or prior year plantings for harvest, but the Conferees restricted our authority to current year. We intended to use current year anyway.

Target price payments are limited, but the limitation for combined wheat, feedgrain and cotton payments is raised to \$40,000 in 1978 and \$45,000 in 1979, from the current \$20,000. Payments to rice growers, now limited to \$55,000 are restricted to \$52,250 in 1978 and \$50,000 in 1979. Beginning with the 1980 crops the combined payment under all these programs is limited to \$50,000, the level we originally proposed for all years of the bill. We also proposed to include extra long staple cotton but the Conferees failed to do so.

Minimum loan levels are \$2.35 for wheat and \$2.00 for corn as long as the season average price is more than 5 percent higher. Minimum loan levels for the other feedgrains are on a competitive feeding basis with corn. These provisions we recommended except we initially proposed a \$2.25 wheat loan.

# Loan Rate Comparisons

<u>Crop</u>	<u>Administration Proposal</u>	<u>House Bill</u>	<u>Senate Bill</u>	<u>Conference Bill</u>
<u>1977 Crop</u>				
Wheat	--	--	--	--
Corn <u>1/</u>	1.75	2.00	1.75	2.00
Cotton	--	--	--	--
Rice	--	--	--	--
Soybeans	--	--	--	--
Peanuts	--	--	--	--
Sugar (% of parity)	--	55	--	52.5 <u>2/</u>
Milk	9.00	9.00-9.14 <u>5/</u>	9.00-9.14 <u>5/</u>	9.00-9.14 <u>5/</u>
<u>1978 Crop</u>				
Wheat	2.25	2.35	2.47	2.35
Corn <u>1/</u>	2.00	2.00	2.00	2.00
Cotton <u>3/</u>	.46	.46	.46	.46
Rice	6.19	6.31	6.45	6.31
Soybeans	4/	4/	4.00	4/
Peanuts	420	420	420	420
Sugar (% of parity)	--	55	--	52.5 <u>2/</u>
Milk	9.00	9.37-9.58 <u>5/</u>	9.37-9.58 <u>5/</u>	9.37-9.58 <u>5/</u>

1/ Loan rates for sorghum, barley, and oats at levels that are competitive for use.

2/ With a minimum at 13.5 cents per pound.

3/ Cotton loan rates based on a specified formula related to smaller of domestic or world prices.

4/ Discretionary.

5/ Dual milk support prices indicate semi-annual adjustments.

The House bill required a reduction in grain loan levels when supplies were excessive, to a level that would maintain our competitiveness in world and U.S. markets. We stated this was essential to the Administration. The Conferees amended this to make the reduction permissive, to limit the reduction to not more than 10 percent in any one year and in no event to less than \$2.00 per bushel for wheat and \$1.75 per bushel for corn.

We opposed a provision that would prohibit the Secretary from reducing wheat loan rates by the amount of the storage cost, and it was deleted.

We favored the less costly rice loan and target price adjustment provisions in the House bill, and were successful in retaining them (minimum loan of \$6.31 cwt., and target price adjustment formula based on cost of production excluding land). However, even the House Bill target price for rice was about a dollar higher than we favored, and out of line with those for the other grains and cotton.

The cotton program supported by the Administration is in the Bill, with a target price comparable to those for wheat and feedgrains. The target price adjustment formula is identical to the one used for the grains (land is excluded) and the loan level provisions insure that our cotton will remain competitive in world markets.

The peanut program supported by the Administration is in the bill. A two-price system with quotas is authorized. The "high" price support level is a minimum of \$420 per ton and the "low" price support level is at my discretion taking into consideration projected export prices and other factors.

Soybean prices will be supported, at a level I determine, as we proposed.

A suspension of commercial export sales on short supply grounds requires me to boost market price supports to 90 percent of parity.

We told the Conferees that it was essential to delete the sugar price support provision from the House bill. The Conferees refused to do so, but did amend the provision to reduce the minimum support price to 13.5 cents per pound (raw value), the same level we had earlier agreed to provide through a payment program. They also gave me authority to suspend the price support provisions whenever an international sugar agreement assures a market price in the U.S. of not less than 13.5 cents a pound, and encourage us to provide payments for 1977 crop sugar marketed between May 4 and the day the loan program becomes operative.

We favored wool support price of 85 percent of the formula instead of 90 percent, and the Conferees agreed to the lower level. This, however, is about 15 percent higher than we originally proposed.

We favored excluding authority to make indemnity payments to dairy producers with losses due to chemical residues or toxic substances in milk but this was kept in the bill. However, the eligibility terms and conditions are tightly drawn.

The minimum milk support price will be 80 percent of parity until March 31, 1979, when it reverts to a 75 percent minimum. Semiannual adjustment is required. We favored this instead of an 80 percent minimum for four years.

We opposed the beekeeper indemnity program but it was extended for four years.

#### Grain Reserves

A farmer-owned reserve program for wheat is mandated, with terms and conditions essentially identical to the program we announced last April. Farmers are encouraged to hold wheat off the market until prices rise to at least 140 percent (minimum can be between 140 and 160 percent) of the \$2.35 loan, or \$3.29 to \$3.76 a bushel. I can call the loan when the market price rises above 175 percent of the loan, or \$4.11 per bushel. These provisions we supported. There is a minimum of 300 million bushels of wheat (8.2 million tons) and a maximum of 700 million bushels (19.1 million tons), with the maximum adjustable pending the outcome of international grain reserve talks. We tried to get the 700 million bushel maximum removed but were not successful. However, since it is adjustable this should not be a problem.

The bill includes a farm storage facility loan program similar to that which we announced in April under basic authorities available to me.

A government-held reserve of 2 to 6 million tons (73 to 220 million bushels of wheat) of food for use in meeting food aid commitments that Senator Humphrey strongly supported and that we favored in conference was eliminated from the bill, mainly due to a jurisdictional dispute in the House.

Sales of grain by the Commodity Credit Corporation can be made at 115 percent of the loan level except when a farmer-owned reserve program is in effect. Then the minimum is 150 percent of the loan, as supported by the Administration.

#### Disaster Programs

Producers prevented from planting crops or those who have low yields due to a natural disaster will be protected through a payment program that covers 25 to 30 percent of normal returns. This disaster program is authorized for two years only, with the understanding that the Administration will prepare an insurance program to replace these programs.

Livestock producers facing an emergency due to natural disasters will be assisted in one of three ways: I can make government stocks available to them at the loan price; I can purchase commodities (including hay) in surplus areas, move it to disaster areas and make it available at a reasonable price; or I can provide cash assistance to producers. The latter authority comes to me from HUD. The terms and conditions are essentially those you approved.

#### Miscellaneous

The Agricultural Conservation program is amended in a manner that will shift more of the cost-share assistance to longer term and more enduring conservation practices.

Watershed projects below \$1 million will no longer have to be approved by Congressional committees, and the local share of a watershed project that may be borrowed is increased from \$5 to \$10 million. Resource Conservation and Development projects will now be able to borrow \$500,000 without committee approval, up from \$250,000.

I will be able to defer loan repayments under our agricultural credit and rural development insurance funds.

Aquaculture and human nutrition are added to the basic functions of the Department, and loans for aquaculture are authorized.

#### Foreign Food Assistance (P.L. 480)

The bill contains a series of provisions designed to increase competition and obviate fraud within the foreign food assistance program, which we proposed. Commission payments are prohibited unless I permit them; public tenders and compensation reporting are required; program regulations on conflict of interest are to be tightened; and regulations are to be amended to increase the number of exporters participating in the program.

Agricultural commodities may be used to carry out urgent humanitarian missions, even when supplies are tight. We favored the more liberal provision in the Senate bill that would authorize use of commodities for the humanitarian and developmental purposes of the Act under these supply conditions but the Conferees could not be persuaded.

Commodities from the Commodity Credit Corporation's inventories provided under the Act are to be valued at export price, a provision we favored but STR opposed.

It should be noted that other foreign food assistance provisions were incorporated into the legislation considered by the foreign relations committees.

#### Food Stamps and Commodity Distribution Programs

The major change in the food stamp program is the elimination of the purchase requirement. The bill also strengthens work requirements, reduces net income eligibility, provides for several types of deductions (standard plus a percentage of earned income, excess shelter cost, dependent care), removes one million persons with high gross incomes, requires part-time work for needy student eligibility, provides for a 2-year disqualification period for those engaging in fraud, furnishes states 75 percent cost-sharing administrative expenses for fraud investigation, excludes illegal aliens, allows for increased flexibility in the administration of the program by Indian reservations, and simplifies certain procedures necessary for AFDC and SSI participants. It also authorizes an extension of the Commodity Supplemental Food Program for pregnant women and children.

We favored removal of the House bill provision that places a cap on outlays for the food stamp program, but it was retained. This could create problems if unemployment is significantly higher than estimated.

We favored a reduction in the number of pilot "work fare" projects under the food stamp program and were able to get them reduced from 50 to 14.

We opposed the House provision that proposed an increase in the asset maximum from \$1,500 to \$2,250, and the bill provides a \$1,750 maximum for a household of two or more persons.

We opposed the House provision that would allow cash instead of stamp benefits to households in which all members are elderly, blind or disabled, and the provision was deleted.

The food stamp sections of the bill are remarkably close to those we initially proposed.

#### Agricultural Research and Education

The bill assigns USDA the lead agency role with respect to national food and agriculture science. Food and agriculture science is broadly defined to include all matters normally associated with the food and agriculture system plus forestry, range management, aquaculture, family life, rural and community development. In short, the scope is as broad as the present missions of the USDA.



The provisions involve coordination, expanded efforts in priority areas, and widening participation in research and education beyond the USDA and Land Grant University system.

The bill authorizes an expansion in USDA's involvement in agricultural solar energy research, development and demonstration, and grants USDA authority to be a full participant in nutrition research and education and in international related food and agriculture research and education.

These bills have general merit in addressing needed changes in the food and agricultural scientific community. There is widespread agreement on the need for greater support of the food and agriculture sciences, but there will be some concern expressed by others in the Executive Branch over the scope of the bill.

The research and education activities are to be coordinated by a Joint Council comprised of government and university officials, which will determine priorities subsequent to receiving input from a Users Advisory Board comprised of users of research. New, specialized programs authorized by this section of the bill include a small farm research and extension program, a solar energy research and development program, and a program for research on extraction of hydrocarbons and alcohols from agricultural commodities. The measure also provides for educational grants and a national agricultural research award. Funds well in excess of our FY 1978 appropriation for research and education are authorized, and the authorization rises each year. The amount we actually spend, however, will continue to be resolved in our normal budgeting and appropriation process.

#### Wheat Promotion

A wheat and wheat food research and promotion checkoff program is established, whereby an assessment is levied on end product manufacturers in order that a program of research and nutrition education might be established. It was amended in a manner that took care of our serious objections.

#### Grain Inspection

There are also provisions with respect to grain inspection, which grew out of the difficulties attendant to implementation of the Federal Grain Inspection Act, passed last year. They allow for 100 percent funding of grain inspection supervision costs by the USDA and reduced reporting requirements for small elevators. They also establish an advisory grain inspection committee.

#### Advisory Committees

In addition, there is a section of the bill which is designed to provide guidance to me on the establishment, direction, and reporting requirements for advisory committees. They are limited in their application to the non-statutory advisory committees of the Department. As you know I have already eliminated many advisory committees.

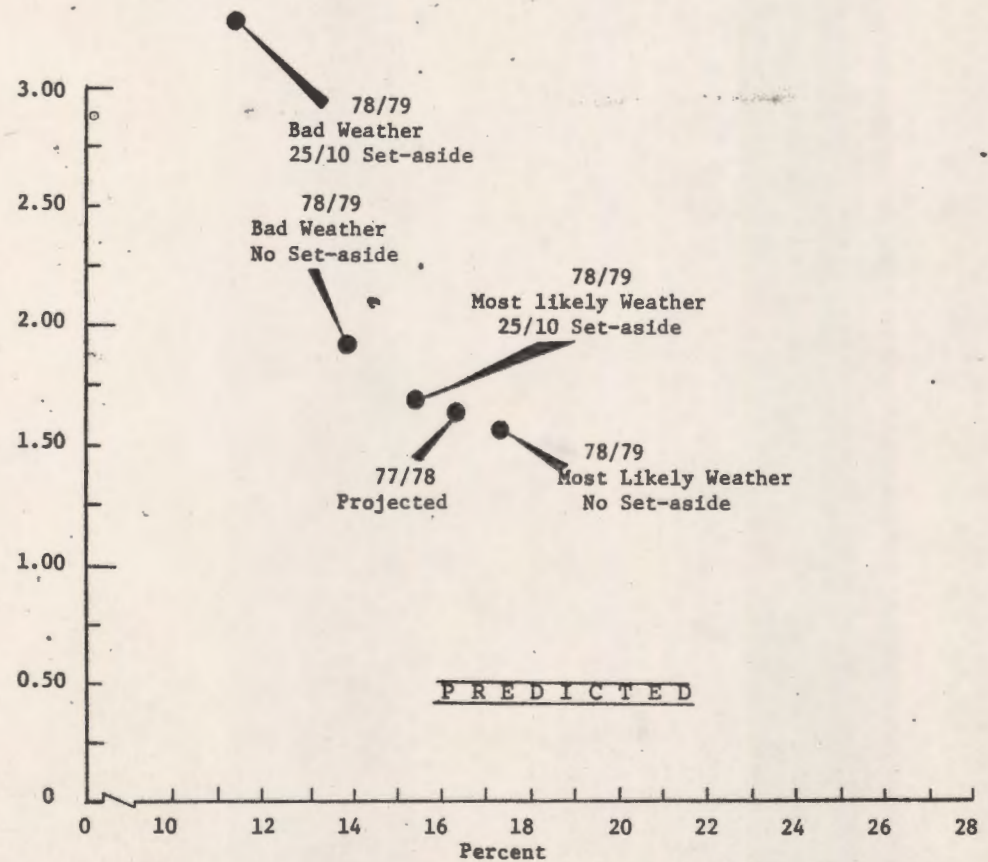
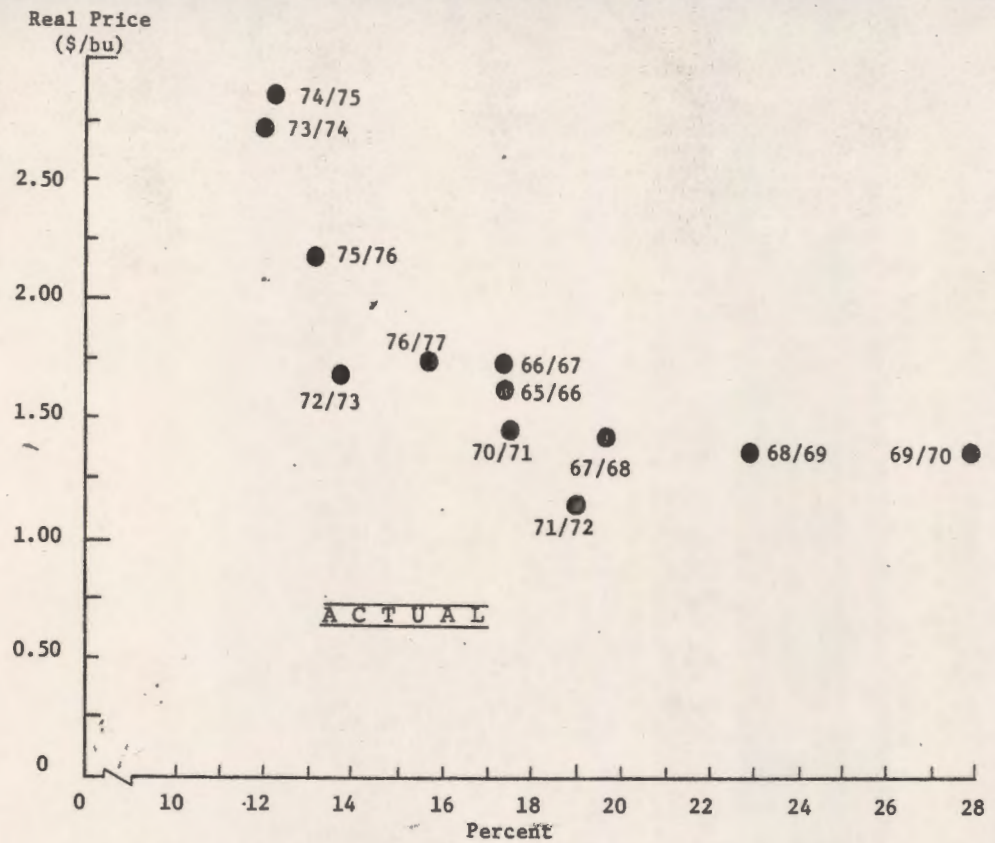


FIGURE 1

ENDING WORLD STOCKS AS A % OF WORLD CONSUMPTION  
(Excluding the USSR)

THE WHITE HOUSE

WASHINGTON

August 23, 1977

Mr. President:

This was just prepared by Bob Pastor of NSC and reviewed by Ambassador Linowitz' special assistant and Landon Butler.

Landon wants you to know that he has met this morning with members of Governor Reagan's staff. They indicate that Reagan's concern is our long-term relations with Latin America. Landon, therefore, suggests that in any answer discussing the importance of the treaty, you emphasize the benefits the treaty will provide for our Latin America relations.

Stu by D. Robertson



THE WHITE HOUSE  
WASHINGTON

August 23, 1977

Hamilton Jordan -

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

Re: Panama Canal

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION  
FYI

cc Phil Wise

	MONDALE
	COSTANZA
	EIZENSTAT
X	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

Ham  
J

4:30 p.m.

Mr. President--

Former Governor Bill Waller called and wanted me to tell you that he is "real taken by the Panama Canal project"...and that if there is anything that comes up that he can react to or do, to let him know.

He said he's now practicing law in Jackson, Mississippi.  
(601) 354-5252

-- Susan

Electronatic Copy Made  
for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON

August 23, 1977

Hamilton Jordan -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

Re: General Advisory Committee  
of ACDA

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
	<input checked="" type="checkbox"/>	JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
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	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: HAMILTON JORDAN *HJ.*  
DATE: AUGUST 23, 1977  
SUBJECT: GENERAL ADVISORY COMMITTEE OF ACDA

In my Memorandum to you yesterday on the General Advisory Committee of ACDA, Zbig, Harold, Paul Warnke and I recommended either Tom Watson or McGeorge Bundy for Chairman. If you approve both (Watson for Chairman and Bundy for Vice-Chairman) we will have one member too many on the Committee. The legislation which created the Committee limits membership to fifteen.

I recommend that you simply drop Bundy. If, for some reason, Watson cannot serve, we will ask Bundy to be Chairman. Zbig, Harold and Paul all understood the person you did not select would not serve on the Committee at all.

I apologize for the confusion.

\_\_\_\_ Approve  
\_\_\_\_ Disapprove

*Keep Bundy -  
Delete one of  
others  
J*

**Electrostatic Copy Made  
for Preservation Purposes**



## THE WHITE HOUSE

WASHINGTON

## MEMORANDUM TO THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*  
DATE: AUGUST 22, 1977  
SUBJECT: GENERAL ADVISORY COMMITTEE OF ACDA

Zbig, Harold, Paul Warnke and I have thoroughly reviewed the attached list of recommendations for the General Advisory Committee of ACDA.

We all agree that the Committee should be constituted so that it places more emphasis on broadening the base of support for SALT, and less emphasis on quarterly technical advice. Most of the names suggested on the list are persons who can help us in states with swing Senate votes or with important constituencies that would broaden the SALT debate.

For chairman, we recommend either Thomas J. Watson, Jr. of IBM, or McGeorge Bundy of the Ford Foundation. Both men have indicated that they would like to help the Administration. Watson is broadly respected, but lacks a working knowledge of SALT and defense issues. Bundy would command respect from a somewhat narrower range of constituents, but has national security experience. Both men could be counted on to be active chairmen who would speak out on behalf of the Administration's SALT position.

Both Watson and Bundy are acceptable to Zbig, Harold, and Warnke. Zbig and Harold would lean toward Watson; Warnke leans toward Bundy.

<u>✓</u>	Approve Watson	<i>Chairman</i>
<u>✓</u>	Approve Bundy	<i>Vice chmn</i>
<u>      </u>	Other	

*J*

Our suggestions for the remaining fourteen members are listed below. The list is balanced to include persons influential in swing states and persons with influence among such special constituencies as the military, business, labor, science, liberals and conservatives. Because the list represents the consensus opinion of Zbig, Harold and Paul, I recommend that you approve it in its entirety.



Harold Agnew, current GAC Chairman and former head of the Los Alamos Weapons Center. A respected conservative on SALT issues.

\*Paul Austin, Chairman of the Board of Coca-Cola.

\*Reubin Askew, Governor of Florida.

\*Bert Combs, former Kentucky Governor and former U.S. Circuit Court Judge.

\*Owen Cooper, Mississippi businessman and former President of the Southern Baptist Convention.

\*Paul Doty, Harvard biochemist with a long record of support for SALT.

Doug Fraser, President of the UAW. Will help organize support of liberal labor unions.

Harry Huge, Washington attorney, long-time Carter supporter, and Chairman of the Voter Education Project. Will help organize other GAC members to support SALT actively.

Lane Kirkland, Secretary-Treasurer of the AFL-CIO, and Co-Chairman of the Committee on the Present Danger. Current Member. A moderate link to the Committee on the Present Danger.

\*Arthur Krim, President, United Artists. Broad contacts among Democratic fundraisers and the Jewish community.

\*Wolfgang Panofsky, Director Stanford Linear Accelerator Center. Frank Press recommends.

Lt. Gen. Brent Scowcroft, USAF, former Assistant to the President for National Security Affairs.

\*John Sigenthaler, publisher of the Nashville Tennessean.

Margaret Bush Wilson, Chairman of the Board, NAACP.

☒ Approve entire list

☐ Other

\*Names previously approved by you in the SALT "work plan."

## ARGUMENTS FOR THE CANAL TREATIES

--- The new Canal Treaties provide the best guarantee to ensure our objectives in an open, efficient and neutral canal.

--- Under the new treaties, we will always have the right to take whatever action is necessary to ensure that our merchant and naval ships will be able to transit the canal.

--- The new treaties will significantly improve our relations with Latin America and the entire developing world by showing that we are willing to deal with those countries on the basis of mutual respect.

--- I support the new treaties because they are right; they demonstrate that the strongest nation in the world is willing to work with one of the smallest nations to build a fairer and more equitable relationship.

--- The U.S. presently carries on about \$34 billion worth of trade each year with Latin America. Our foreign direct investment there is \$24 billion. We have a large stake in the region, and it will grow if the U.S. ratifies the new treaties.

--- Furthermore, we need Latin America's support in the North-South dialogue and to pursue our goals on non-proliferation, arms restraint and basic human needs.

--- The leaders of our closest allies and friends in the hemisphere and throughout the world have gone on record in public support of the new treaties and have written and told me that ratification of the treaty by our country

would be an important indication of our capability to exercise leadership in the world.

--- In order to keep the canal open and operating efficiently, we need Panama's active cooperation. This treaty will permit Panama to become an active partner in the operation as well as the defense of the canal.

— GERSTENBERG —

Press conference  
8-23-77

THE WHITE HOUSE  
WASHINGTON

SA. does not have/intend to  
have develop nuke explosives for  
any purpose. KALAHARI  
No nuke explosive tests in S.A.  
Int safeguards - NPT monitor

— Panama Canal - Sea level -

Large tankers, warships

Any future canal  $\in$  U.S.

not potentially hostile power

Panama site - term of treaty

— (ZAMBIA)

LUSAKA - A FRONT LINE - SAT 8/27

OWEN & YOUNG  $\rightarrow$  S.AFRICA

— HUANG HUA

VANCE - DINNER - TENG HSIAO

V C Party DAP PM

PING

OPENING STATEMENT  
NEWS CONFERENCE  
AUGUST 23, 1977

THE PRESIDENT HAS SPENT

I

AS YOU KNOW, THE PROPOSED TREATY WITH PANAMA ON THE CANAL ENVISIONS THE POSSIBILITY OF A NEW SEA LEVEL CANAL. IT COMMITS THE U.S. AND PANAMA TO JOINTLY STUDY THE FEASIBILITY OF A NEW CANAL AND TO CONDUCT NEGOTIATIONS ON ITS CONSTRUCTION IF SUCH A NEW CANAL IS NEEDED.

THE POSSIBLE IMPORTANCE OF A NEW CANAL IS CLEAR WHEN YOU CONSIDER THAT



OUR AIRCRAFT CARRIERS AND THE LARGER TANKERS ARE TOO LARGE TO PASS THROUGH THE PRESENT CANAL.

AFTER DISCUSSING THE TERMS OF THE AGREEMENT IN PRINCIPLE WITH MEMBERS OF THE SENATE, I ASKED OUR NEGOTIATORS TO GO BACK TO THE PANAMANIAN TO OBTAIN, IF POSSIBLE, ASSURANCE THAT ANY NEW SEA LEVEL CANAL BUILT IN PANAMA, WHICH ALL STUDIES SHOW TO BE THE BEST POSSIBLE PLACE TO CONSTRUCT SUCH A CANAL, WOULD BE BUILT BY THE UNITED STATES AND NOT SOME HOSTILE OR POTENTIALLY HOSTILE POWER.

I AM PLEASED TO REPORT TO YOU TODAY THAT WE HAVE OBTAINED SUCH AN AGREEMENT AND THAT FOR THE LIFE OF THE TREATY, IF IT IS RATIFIED, WE WILL HAVE THAT ASSURANCE.

I BELIEVE THIS IS AN IMPORTANT ADDITION TO THE AGREEMENTS THAT WILL BE HELPFUL IN ALLAYING CONCERNS ABOUT THE PROTECTION OF AMERICAN INTERESTS. IT IS ALSO FAIR TO PANAMA IN THAT IT OBLIGATES US NOT TO NEGOTIATE WITH ANY OTHER NATION FOR THE CONSTRUCTION OF A NEW CANAL DURING THE TERM OF THE TREATY.

Q: What about public opinion polls that show that almost 80% of the American people are opposed to the Treaty?

A: WELL, IT IS CLEAR TO ME THAT THE NEW TREATY IS NOT YET FAMILIAR TO THE AMERICAN PEOPLE. THEY ARE RESPONDING TO WHAT THEY HAVE BEEN TOLD, WHICH IN SOME CASES IS ABSOLUTELY INCORRECT. I THINK MOST AMERICANS WANT TO DO WHAT IS IN THE BEST INTERESTS OF OUR NATION AND WHAT WILL PROTECT OUR OWN NATIONAL SECURITY SO FAR AS THE USE OF THE CANAL IS CONCERNED. THAT WAS MY CHIEF CONCERN, AND I AM CONVINCED THAT THIS TREATY IS THE BEST WAY TO PROTECT THOSE INTERESTS. I BELIEVE THAT THOSE WHO TAKE THE TIME TO STUDY THE EXACT TERMS OF THE AGREEMENT WILL COME TO THE SAME CONCLUSION.

HOWEVER, THERE CAN BE NO DOUBT THAT THIS WILL NOT BE AN EASY DECISION FOR THE SENATE TO MAKE. POLITICAL PRESSURE WILL BE INTENSE. IT WILL REQUIRE EACH SENATOR TO REACH A DECISION BASED ON WHAT IS IN THE BEST INTEREST OF OUR COUNTRY, EVEN IF THAT MAY NOT SEEM TO BE THE MOST POLITICALLY EXPEDIENT THING AT THE TIME. I AM ENCOURAGED THAT MOST MEMBERS OF THE SENATE HAVE DECIDED NOT TO TAKE A HASTY POSITION AGAINST THE TREATY PACKAGE UNTIL THEY HAVE HAD A CHANCE TO STUDY IT IN FULL. I BELIEVE THIS IS A GOOD SIGN THAT THEY WILL INDEED MAKE THEIR FINAL DETERMINATION ON JUST SUCH A STATESMANLIKE BASIS.